



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

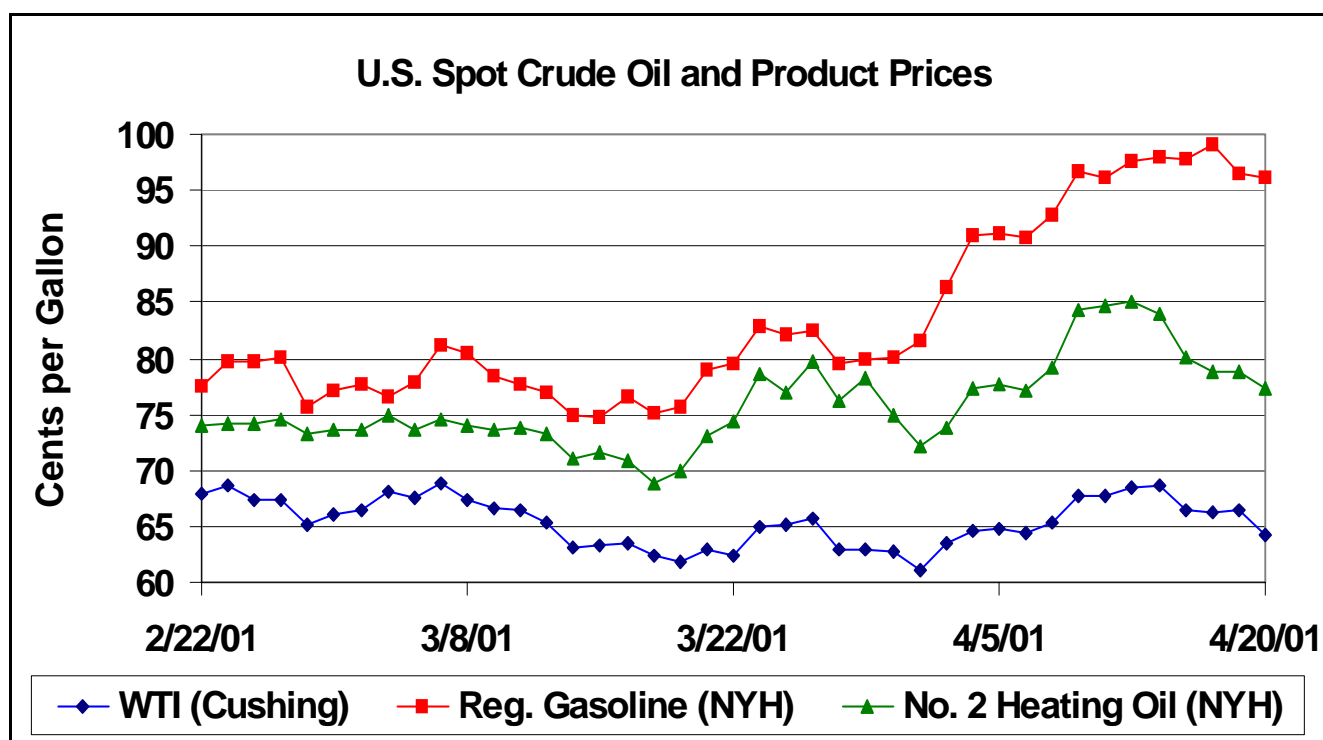
MARKET SUMMARY

Unexpected problems at a number of domestic and foreign refineries, many affecting gasoline production, were the dominant issue for U.S. petroleum spot and futures markets last week. Beginning with an explosion at a Conoco refinery in the United Kingdom that produces reformulated gasoline components for export to the United States, a series of refinery incidents added further difficulty to the industry's efforts to build gasoline stocks ahead of the traditional peak summer driving season. Crude oil and distillate prices actually finished lower for the week, with global oil markets relatively uneventful, and U.S. crude inventories posting the latest in a six-week series of stockbuilds through April 13.

Crude oil - spot and futures prices drifted downward throughout the week, taking WTI near \$27 per barrel, virtually reversing the previous week's increases. Global crude oil market influences, including OPEC, were generally quiet, with product market activity much more visible. The May NYMEX contract expired Friday amid profit-taking, following midweek release of weekly stock data for April 13 showing a further 6.2-million-barrel build, taking inventories within the average range for the first time since late 1999.

Gasoline - prices remained the strongest element of U.S. petroleum markets, boosted by unexpected outages at units critical for gasoline production at several refineries in the U.S. and abroad. Although domestic refinery utilization and gasoline production have risen in recent weeks as scheduled maintenance is completed, gasoline stocks remain 13 million barrels (6 percent) below year-ago levels. With only 5 weeks left before Memorial Day weekend, concern over summer gasoline supplies is intensifying.

Distillate - heating oil and diesel fuel markets generally followed crude oil downward, with supplies seen as adequate overall, despite stocks hovering slightly below their seasonal average range.



CHRONOLOGY OF RECENT MARKET EVENTS

- 4/20 - falling** - spot and futures prices dropped marketwide in profit-taking ahead of the weekend and May NYMEX contract expiration at the close of trading. Gasoline prices were the least affected, remaining relatively strong in the wake of recent refinery problems.
- 4/19 - mixed** - price movements were varied, with most markets moderately higher, but crude oil futures and some gasoline spot prices lower. An unexpected shutdown of a gasoline-making unit at Valero's Corpus Christi refinery brought new concerns about summer gasoline supplies.
- 4/18 - mixed** - crude oil and distillate prices fell, while gasoline rose, following release of the API and EIA weekly supply data. A sixth consecutive crude oil stockbuild was the major influence on markets, while gasoline stocks were reported dropping slightly last week.
- 4/17 - mixed** - most prices moved lower ahead of the weekly API and EIA supply reports, amid expectations of a further increase in crude oil inventories. Only gasoline futures prices ended higher, aided by Conoco's announcement that its U.K. refinery would be down for several weeks.
- 4/16 - rising** - all prices moved higher, primarily attributed to problems at a number of refineries, most prominently an explosion at a Conoco refinery in Great Britain that exports gasoline components to the U.S. Other refineries under maintenance or repair included plants on the U.S. East and Gulf coasts, and one in Aruba.
- 4/12 - mixed** - crude oil spot and futures prices gained slightly, but product futures were down as IEA revised its global demand estimates downward.
- 4/11 - mixed** - gasoline prices fell as API and EIA data showed that the six-week stockdraw had ended and gasoline inventories showed a moderate gain. Crude oil inventories continued to rise for the fifth straight week, putting downward pressure on crude spot and futures prices. Heating oil spot and futures prices both gained as distillate inventories fell.
- 4/10 - rising** - prices showed strong gains, with gasoline helping to pull up crude oil prices. Gasoline prices rose in response to concerns about tight supplies ahead of the summer driving season, in part due to unusually heavy refinery maintenance that has reduced gasoline output.
- 4/9 - rising** - all prices were up, with gasoline showing the largest increase due to worries over thin supplies and late selling reducing gains in crude oil futures. Several refineries remained offline, with Orion's catalytic cracker in Norco, LA delayed for "another few days", Tosco-Trainer remaining down after a restart problem, and Motiva assumed to still be down. Also, Kuwait reported that it had reduced output to its new quota level.
- 4/6 - falling** - prices turned moderately downward in pre-weekend profit-taking, leaving most of the week's gains intact. Summer gasoline supply remained the focus of market activity, with significant interest in EIA's release of its summer outlook, calling for prices similar to last year's.